Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Federal-State Joint Board on	)	CC Docket No. 96-45
Universal Service	)	

COMMENTS OF

THE PUBLIC UTILITIES COMMISSION OF OHIO

INTRODUCTION

On December 31, 2001, the Public Utilities Commission of Ohio (Ohio Commission) attempted to serve, via Federal Express, these comments in hard copy form during normal business hours to the Commission; however, the business office was closed. The Ohio Commission makes this electronic filing to allow all parties to timely review the comments.

On October 12, 2001, the Federal Communications Commission (FCC) released a Public Notice inviting comments concerning the review of its Lifeline and Linkup programs. The FCC notes that these programs are used to preserve and advance universal service and to ensure that quality telecommunications and information services are available to low-income consumers at just, reasonable and affordable rates, as required by the Telecommunications Act of 1996. Among other things, the FCC Public Notice invites comments on the effectiveness of the FCC's existing Lifeline/Link-Up rules.

The Public Utilities Commission of Ohio (Ohio Commission) hereby submits its comments responding to the FCC's October 12, 2001 invitation for public input.

DISCUSSION

The Ohio Commission's comments on Lifeline are based on extensive research of, and information obtained through three studies surrounding the non-telephone household population and Lifeline programs, as well as Ohio's long-term experience in the administration of Lifeline programs.

The FCC should consider these issues, the information, and the research regarding the structure and process surrounding the federal Lifeline program. Based on the insight gained through the research and information, the Ohio Commission recommends that the FCC:

- Adopt an income criteria based on at least 150 percent of the poverty level;
- Continue to support self-certification;
- Require automatic enrollment of eligible consumers;
- Require telephone companies to have a marketing budget to promote the Lifeline program;
- Exclude vertical features from the plan unless a customer can demonstrate the need for such services; and
- Prohibit telephone companies from marketing vertical features to Lifeline customers.

Income Criteria

The research and results of two Ohio non-telephone household studies provide a strong basis for including income criteria as eligibility for Lifeline. The income criteria would direct Lifeline at the working poor who are unable to afford telephone service. If household income is at or below 150 percent of the poverty level, the household should qualify for the program.

In its First Report and Order on Universal Service (FCC 97-157, released May 1997), the FCC determined that states providing intrastate matching Lifeline funds may establish their own eligibility criteria, but such criteria must be based "solely on income or factors directly related to income." (*Id.* at ¶ 373.) In the same Order, the FCC also set forth its default Lifeline verification procedure for states that do not provide matching intrastate Lifeline support. The default procedure calls for carriers to obtain a customer's signature on a document by which the customer: 1) certifies under penalty of perjury that the customer is receiving benefits from one of the qualifying programs included in the FCC's default eligibility criteria list; 2) identifies the program or programs from which the customer receives benefits; and 3) agrees to notify the carrier if the customer ceases to participate in such program or programs. (*Id.* ¶ 377.)

The Ohio Commission suggests that adopting the 150 percent threshold criterion would clearly comport with the FCC's income-based objective, and could also be easily incorporated into its default verification procedure. Rather than requiring the customer to attest to its participation in a qualifying program, the customer would instead certify (under penalty of perjury) that its household income falls at or below the threshold.

In the Matter of the Joint Application of SBC Communications Inc., SBC Delaware Inc., Ameritech Corporation, and Ameritech Ohio for Consent and Approval of a Change of Control, PUCO Case No. 98-1082-TP-AMT, Ameritech was required to perform a non-telephone household study as a commitment in the SBC/Ameritech merger case. The purpose of the study commitment was to determine the various causes of non-telephone households in Ameritech Ohio's current service territory and to determine the best methods for decreasing the number of non-telephone households (Stipulation and Recommendation at Section VIII.C). Ameritech filed its report and research on May 7, 2001 (Appendix A). Additionally, a non-telephone household study was performed by Verizon for the same purpose (*In the Matter of the Joint Application of Bell Atlantic Corporation and GTE Corporation for Consent and Approval of a Change in Control*, PUCO Case No. 98-1398-TP-AMT).

In the Ameritech study those who said that they would qualify for either USA plan (the state plan – Plan 1 and the federal plan – Plan 2) tend to have resistance to receiving assistance and applying for financial help. Of the households without telephones in Ameritech's Ohio service territory, 70% of the participants were either extremely interested or very interested in signing up for either USA plan if they were eligible based on income. For example, of the 343 respondents without telephones in the Ameritech study, 60% are employed but are still without telephone service. Of those 60%, 41% are employed full-time. The results clearly indicate that telephone service is not affordable to many, even when they have full time employment. Eligibility based solely on participation in one or more specified means-tested programs excludes families that are low-income but not receiving government assistance. There were 66% of the customers who qualify for Lifeline that identify that they do not want public assistance; this was particularly the case among senior citizens. In the Verizon study, 39% of the respondents without telephones indicated that they were employed.

In the Verizon study, 71% of the respondents, whether they qualified for the program or not, were very interested or extremely interested in the Lifeline plan. There were only 58% of the respondents without telephones who indicated that they would qualify for Lifeline based on the qualifying programs; 39% responded that they would not qualify, i.e., did not participate in a qualifying program. There were 69% of the Verizon respondents who indicated that if they were not on a qualifying program but could qualify under low-income criteria that they would participate in Lifeline. There were 62% of the respondents who indicated that they would be willing to send income verification to the company.

Self-Certification

The Ohio Commission recommends self-certification of income eligibility and permitting a company to perform a verification audit of a customer applying for or a customer already on Lifeline assistance service. In the Ameritech study, 75% of the respondents without telephones indicated that they would be willing to show proof of their total annual income for verification purposes.

Automatic Enrollment and Promotion and Educational Programs

The Lifeline program should include a marketing budget to promote the program and work with an advisory board to design and implement the marketing program. Automatic enrollment is also a critical feature of an effective Lifeline program.

The USA Advisory Board brought a complaint to the Ohio Commission against Ameritech to require the Company to abide by the terms of its Lifeline commitment. *In* *the Matter of the Application of the Ohio Bell Telephone Company for Approval of an Alternative Form of Regulation*, PUCO Case No. 93-487-TP-ALT (Opinion and Order) (December 30, 1998). The Ohio Commission found in favor of the Advisory Board. The Ohio Commission found that Ameritech had not materially complied with the terms of the USA program. *Id.* at 31. The Ohio Commission required Ameritech to perform a drop-off study to determine the reasons why people were dropping off of their Lifeline program.

Ameritech has been responsible for promoting its Lifeline program since its adoption of an alternative regulation plan in 1994. Additionally, as a result of the complaint case brought against Ameritech, the Ohio Commission required the Company to intensify and focus its promotional and education campaign about Lifeline. The Ameritech non-telephone household study found that of those people in Ameritech Ohio's service territory without telephones, only 14% were aware of USA Plan 1 (state plan) and only 10% were aware of Plan 2 (federal plan). Given the incredibly low awareness levels, automatic enrollment is the most effective method for assuring that eligible customers receive Lifeline assistance. In the Verizon study, 15% of the respondents without telephones were aware of a special service for low-income people.

Promotion and education programs are also critical to raise awareness levels. Those households that do not participate in qualifying programs but would qualify on the basis of income are going to need to become aware of Lifeline in order to consider signing up for the program. Promotion and education efforts should be implemented with the assistance of an advisory board composed of groups that work with the low-income community. These programs are significantly enhanced by their expertise in communicating with the low-income population.

Limitation of Vertical Features

The drop off study conducted by Ameritech offered some remarkable insights regarding vertical services. The study was performed in 1999. Over a three-month period during the year, 38.47% of Plan 1-Lifeline customers dropped off of the network because they were unable to pay their bill. Over the same three-month period, there were 71.76 of Plan 2 lifetime customers who dropped off of the network because they were unable to pay their bill. Under Plan 1, Lifeline customers are not permitted to purchase any vertical services. Under Plan 2 (the federal plan) Lifeline customers are permitted unlimited access to purchase vertical services. Those customers dropping off of the network are almost twice as high under Plan 2 as compared to Plan 1.

Ameritech analyzed the number of vertical services that were being purchased by customers. Ameritech based this analysis on customer use of vertical services at one point in time in March 1999. Plan 1 customers are not permitted to purchase vertical services. Ameritech determined that the average number of vertical services used by a customer who was not on Lifeline was 3.5. Those customers on the Plan 2 (federal) Lifeline program used an average of 6.5 vertical services.

The Lifeline program should limit the ability of a participant to purchase vertical services. One of the most compelling pieces of evidence found in the research was that among the most significant reasons for customers losing their telephone service was their inability to pay for the vertical services in their local telephone bill. It is important to have a disconnect policy which does not permit a customer to be disconnected from local service if they are in arrears on a long-distance bill. The long distance portion of the bill cannot explain drop offs from the network in Ohio, which does not have such a disconnect policy. There could be other factors involved in why a Plan 2-Lifeline customer is unable to afford their bill. Given the disconnect policy and the results from the drop off study, it is hard to ignore the role of vertical services in the household budget equation. The Ohio Commission believes that it is not in the public interest to allow a Lifeline customer unlimited access to vertical services. Additionally, the Ohio Commission recommends that the FCC prohibit telephone companies from marketing vertical services to existing or new Lifeline customers.

The organizations that represent low-income constituencies have made a long-standing argument that call-waiting has a public interest benefit for low-income households that is greater than it is for the general population due to the higher prevalence of extended families living in a household among the low-income population. Additionally, the optional features must be prohibited unless the phone company receives a signed statement from the customer self-certifying that the feature is necessary for medical and/or safety reasons.

Ohio Alternative Regulation Plan

On December 6, 2001, the Ohio Commission adopted an alternative regulation plan for incumbent local exchange carriers (Case No. 00-1532-TP-COI). Among other things, the elective alternative regulation plan requires that, in exchange for certain pricing freedoms, companies are required to offer advanced services and to cap basic local exchange service rates at current levels. In exchange for this additional pricing flexibility, the Ohio Commission has also required companies electing alternative regulation to provide an intrastate Lifeline plan consistent with all of the recommendations contained in these comments. The rules adopted in PUCO Case No. 00-1532-TP-COI also ensure that Ohio's Lifeline customers realize the maximum contribution of Federal assistance. To date, no ILEC has opted into Ohio's recently adopted rules. Attached as Appendix B to these comments are the Ohio Commission's rules adopted in PUCO Case No. 00-1532-TP-COI.

CONCLUSION

For the reasons identified above, the Ohio Commission recommends that the FCC adopt for Lifeline customers an income-based criteria at 150 percent of the poverty level, automatic enrollment, self-certification, require companies to promote Lifeline services, impose limitations on vertical services, and require a corresponding prohibition of the marketing of vertical services to Lifeline customers.

The Ohio Commission thanks the FCC for the opportunity to file comments in this proceeding.

Respectfully Submitted,

On Behalf of the Public Utilities Commission of Ohio

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